

USAWC STRATEGY RESEARCH PROJECT

THE DISINCENTIVE FOR OVERSEAS FEDERAL SERVICE

by

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This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The U.S. Army War College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

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U.S. Army War College
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Report Documentation Page			Form Approved OMB No. 0704-0188		
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 30 MAR 2007		2. REPORT TYPE Strategy Research Project		3. DATES COVERED 00-00-2006 to 00-00-2007	
4. TITLE AND SUBTITLE Disincentive for Overseas Federal Service			5a. CONTRACT NUMBER		
			5b. GRANT NUMBER		
			5c. PROGRAM ELEMENT NUMBER		
6. AUTHOR(S) David Frodsham			5d. PROJECT NUMBER		
			5e. TASK NUMBER		
			5f. WORK UNIT NUMBER		
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Army War College, Carlisle Barracks, Carlisle, PA, 17013-5050			8. PERFORMING ORGANIZATION REPORT NUMBER		
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)		
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)		
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT See attached.					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 18	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

ABSTRACT

AUTHOR: Mr. David Wayne Frodsham

TITLE: The Disincentive for Overseas Federal Service

FORMAT: Strategy Research Project

DATE: 27 March 2007 WORD COUNT: 5175 PAGES: 18

KEY TERMS: Locality Pay, Local Market Supplement, Living Quarters Allowance, Retirement, and Cost Of Living Allowance

CLASSIFICATION: Unclassified

Recruitment challenges, lawsuits, low morale, immobility and stagnation are all by products of the inequitable treatment of federal employees assigned outside the continental United States. Civilians are an integral part of the total Army Team and critical for the success of many federal agencies operating abroad. As the average age of the civilian workforce rises and the number of civilian positions increase due to the conversion of military positions, the challenges of recruiting and retaining qualified candidates for overseas positions are increasing. There is a growing disinterest in overseas assignments, especially of those nearing retirement eligibility. Locality Pay has been the largest inhibitor to recruiting high caliber employees for overseas positions. This paper clearly identifies the problem, offers recommendations and presents a way ahead, the Army and the federal government needs to pursue to eliminate this disparity.

THE DISINCENTIVE FOR OVERSEAS FEDERAL SERVICE

...Army civilians have a 230-year record of service and are a critical component of the Total Army Force Structure. The name unifies the Army civilian service and embodies the commitment of these individuals who serve as an integral part of our Army team. Army civilians serve in all theaters and are deployed worldwide supporting the Army mission and the Global War on Terrorism. As the Army's missions have evolved and become more complex, so have the roles of the Army civilians...The Army Civilian Corps title befits the people that comprise a key capability of our Army's force structure. Army civilians of yesterday, today and tomorrow are and will remain integral parts of the Army team...¹

—Peter J. Schoomaker
General, United States Army
Chief of Staff

—Francis J. Harvey
Secretary of the Army

On 19 June 2006, The Secretary and Chief of Staff of the Army established The Army Civilian Corps and approved the Army Civilian Corps Creed. This extract from their memorandum clearly defines the importance of Army Civilians as part of the total Army Force Structure.

Federal civilian employees, like their uniformed counterparts, as “members of the Army team are dedicated, loyal, provide stability and continuity during war and peace; support and defend the Constitution of the United States, and consider it an honor to serve our nation and our Army”². They are assigned to critical positions worldwide. It is generally accepted that job security, patriotism and the prospect of a secure and comfortable retirement is what attracts individuals to work for the Federal government. However, there is increasing concern by management regarding the inability to recruit and fill overseas positions with highly skilled, technically competent, talented and diverse employees. There is a growing disinterest in overseas assignments by many Federal employees, especially those nearing retirement eligibility. Employees selected for overseas assignments are at a considerable disadvantage in comparison to civilians assigned in the Continental United States (CONUS). Employees in CONUS receive Locality Pay, which is in addition to their basic salary, and is included in retirement calculations. Employees selected and currently assigned overseas do not receive Locality Pay. As a result of this disparity, employees reaching retirement eligibility appear to show little or no interest in overseas assignments, since the assignment would reduce the employee's retirement annuity.

Background

The Federal Employee Pay Comparability Act of 1990 established Locality Pay for General Schedule (GS) employees in the Continental United States. Section 5304 of Title 5, United States Code, authorizes locality pay for General Schedule (GS) employees with duty stations in the continental United States and the District of Columbia. By law, locality pay is set by comparing GS pay rates with non-Federal pay rates for the same levels of work in each locality pay area.³ Title 5, United States Code, Section 5304 (c)(2)(A) states “A comparability payment [locality pay] -shall be considered to be part of basic pay for purposes of retirement....”⁴ Under both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) the retirement annuity is based primarily on the average of the high three years of income.⁵ As in the uniformed services, by the time a federal employee reaches GS-14 or 15 (O-5 or O-6 comparable) they are reaching retirement eligibility. Why would an individual reaching retirement age consider taking an overseas assignment that could reduce his retirement annuity by reducing his average high three (explained above) by as much as 28.68%? The Office of Personnel Management salary rates show a differential ranging from 12.52% (Rest of the United States) to 28.68% (San Francisco Area) over and above the base rate of pay granted for federal employees in overseas areas.⁶

Even federal employees who live and work in Hawaii and Alaska are excluded, by law, from receiving any locality pay.⁷ In contrast, federal employees in the 48 states receive Locality Pay” calculated as a percentage of base pay regardless of where he or she works. When retirement pay is calculated for employees working in the 48 states, locality pay is included along with the base pay in determining the retiree’s retirement pay. When Federal employees in Hawaii and Alaska retire, their retirement pay is based solely on their base pay. This results in employees in Hawaii and Alaska receiving much less in retirement pay than their federal counterparts in the 48 states solely because of where they live and work.

On June 22, 2005, federal employees in Hawaii and Alaska filed a class action lawsuit (MATSUO v. U.S. - LOCALITY PAY DISPARITY) in the U.S. District Court in Hawaii against the Federal Government challenging “locality pay” policies that unfairly and irrationally discriminate against Federal employees who work and reside in Hawaii and Alaska. The lawsuit seeks locality pay for federal employees who work in those jurisdictions. The Honorable Chief Judge Philip M. Pro of the U.S. District Court of Nevada is presiding over the case and on 7 January 2007, certified the case as a class action.⁸

This is not just a Defense Department issue. A recent commentary (Foreign Service Employee Comments on Overseas Locality Pay) posted on the American Foreign Service Association web site (author unknown) argues the same point I am trying to make:

The lack of a Washington locality pay for employees overseas unfairly discriminates against employees who serve their country overseas and has a major, detrimental effect on the annuity benefit of employees eligible for retirement whose final three years of Government service are overseas.

By serving much of my last three years overseas I'm already incurring a significant financial loss compared to those based in Washington. I enjoy my work here [at a high differential post], but I'm definitely heading back to the U.S. after two years so that I can get at least part of a year with Washington locality pay figured into my high three. If it weren't for that, I'd be willing to extend here. So the government will be faced with the costs of moving and replacing me after. This is crazy.

I have had enough. When I return to the Dept. this summer on assignment I have every intention of staying until hell freezes over or alternatively, at least until more parity with Domestic benefits is found.

Before locality pay, it was not uncommon for FS officers to retire when they returned from a final posting overseas. Now everyone must spend the last three years of the career in Washington in order to get the "locality pay kick" to the high-3.⁹

In February 2006, Secretary of State, Condoleezza Rice, testified before the Senate Foreign Relations Committee and requested \$32 million in the fiscal 2007 budget to fund a new pay-for-performance system for the Foreign Service. Rice is quoted as saying "With your help, as part of our efforts to modernize the Foreign Service, we will institute a new pay-for-performance system that fairly compensates our men and women working abroad." In addition to pay for performance, Rice said her proposal will address the lack of locality pay for employees abroad.¹⁰

Misperception

Federal employees assigned overseas receive a housing allowance (Living Quarters Allowance) that normally covers most of the costs associated with maintaining a home in the overseas area. Total compensation is not the issue here – retirement pay is the issue. Living Quarters Allowance is not considered part of basic pay for retirement computation.

Another argument is there are recruitment, relocation and retention (3 R's) bonuses that were established to combat this very issue. The Federal Workforce Flexibility Act of 2004, as codified in Title 5 United States Code, provided the authorization for these bonuses.

Section 101(a) of the Act establishes significantly enhanced recruitment, relocation, and retention bonus authorities that will provide Federal agencies with the flexibility to use such bonuses in more strategic ways to help the Federal Government improve its competitiveness in recruiting and maintaining a high quality workforce. The enhanced authorities will replace the current recruitment and relocation bonus and retention allowance authorities under 5 U.S.C. 5753 and 5754. For example, under regulations to be prescribed by OPM, the recruitment, relocation, and retention bonus enhancements provided by the Act include the authority to —

- Pay larger recruitment and relocation bonuses based on the length of an agreed-upon service period, capped at 25 percent of the employee's annual salary multiplied by the number of years the employee agrees to serve in the position (up to a maximum of 4 years).
- Waive the normal cap on recruitment and relocation bonuses because of a critical agency need in order to pay higher amounts over shorter periods of time (not to exceed a total of 100 percent of the employee's starting salary).
- Pay recruitment bonuses to current Federal employees under conditions prescribed in OPM regulations.
- Pay retention bonuses to employees who are likely to leave for other Federal positions under conditions prescribed in OPM regulations.
- Pay recruitment, relocation, and retention bonuses in alternative ways, such as in installments or in a lump sum at the end of a service period.
- Request that OPM waive the limitation on an individual retention bonus (25 percent of salary) or a group retention bonus (10 percent of salary) to allow retention bonus payments of up to 50 percent of salary based on a critical agency need.¹¹

While these incentives are available for management to use to enhance its competitiveness and entice employees to accept hard to fill positions, they are rarely used due to funding constraints. Additionally, the bonus incentives are a one time incentive, normally paid in lump sum and has no effect on retirement computation. Army's Civilian Human Resource Agency's Regional Director for Korea indicated the following about the use of the 3 "R's" by management:

It appears that since December of 2001 relocation bonuses have been used approximately 50 times and recruitment bonuses approximately 10 times; the majority of those receiving the incentives are Engineers. The use of these incentives is of course dependent upon a suitable budget and the willingness to spend it to get good people. Money has grown ever tighter since the Iraq War, and I would be surprised to see anyone spending this freely in the near future.¹²

Illustrative Example

To better understand the issue and show the negative affects that locality pay has on an employee, I will use my case. I accepted my current position in Korea in 2004. I was a GS 14, Step 7 working at Fort Huachuca. I wanted to further expand my skills as a military professional so after six years at Fort Huachuca, where I had served as the Director of Logistics; Director of Engineering and Housing; and the Director of Plans, Training, Mobilization and Security, I sought a new position. I was selected as the first Chief of Plans for the Korea Region of the Installation Management Command, formally known as the Installation Management Agency (IMA). As a GS-14, Step 5 at Fort Huachuca my annual basic pay for retirement computation was \$93,430.¹³ The position in Korea was a GS-15 and under the Agency Pay Setting Rules I was promoted to a GS-15, Step 2 with an annual basic pay of \$90,354.¹⁴ My promotion resulted in a net decrease of over \$3,000 going towards my average high three for retirement annuity computation and a real decrease in my actual salary. The job is challenging and rewarding so I have no regrets. This illustration shows why it is extremely difficult to recruit and retain senior federal employees in the overseas environment.

Contributing Factors

Conversion of Military Positions to Civilian –

More and more positions that were once filled by uniformed personnel are now being filled by civilians. On 30 June 1953, (just one month before the Korean War armistice was signed),¹⁵ the US had 3.555 million military forces deployed worldwide. On that same date, DOD had a direct hire civilian work force of approximately 1.332 million personnel, equating to 37.2% of the total force being non-uniformed.¹⁶ In January 2006 there were 1.389 million military forces deployed worldwide¹⁷ and 675,000 civilians working in DOD.¹⁸ This equates to 48.6% of the total force (less contractors) being non-uniformed. Although both the military and civilian strength have been significantly reduced in the last fifty years, it is important to note the ratio of civilians to military has increased by over eleven (11) percent during this period.

Aging Work Force –

According to the Office of Personnel Management, Federal Employments Statistics, the General Schedule workforce's average age of the senior grade employees has increased by 5.13% in the past 10 years.¹⁹ The table below shows the number of employees on the rolls at the end of September and the average age of the work force. By 2015 DOD can expect the average age of this population to reach 51.5 years.

Year	GS-13	Avg Age	GS-14	Avg Age	GS-15	Avg Age	Total	Avg Age
1995	173,249	45.5	91,273	46.9	52,635	50	317,121	46.7
2000	184,270	47	86,998	48.6	54,-45	51.1	325,313	48.1
2005	207,320	48.2	102,907	49.5	64,433	51.7	373,660	49.1

Table 1.

By the time most employees reach age 50, many are starting to think about retirement. Therefore, if they are assigned overseas, they start to look for a position in CONUS. One can assume that if they are already in a CONUS position they certainly do not want to take a position overseas. One of my GS-14 Division Chief positions took me over 20 months to fill. The Civilian Personnel community did their part and issued the hiring official no less than five referral lists. Time after time management would conduct the interviews (and the candidate would articulate their genuine desire for the position), make a primary and alternate selection, but when the civilian personnel specialists would make the formal job offer and explain the pay and benefits to the individual they would decline the position. Senior positions are advertised world-wide for no less than 30 days, applicants are paneled, and then the top three to six are interviewed (normally telephonically). Under the best of circumstances this process can take in excess of 60 days. Management routinely contacted the candidates after they declined the position and numerous candidates referenced the impact to their retirement annuity as the reason for not accepting the job offer.

Other Hardships and Barriers to Working in Korea –

Korea has other issues that exasperate the challenges of recruiting and retaining individuals. Outside of Seoul there are no American hospitals and out-patient clinics give priority to the service members they are responsible for, forcing family members to seek medical and dental treatment on the local Korean economy. This causes angst for family members requiring medical treatment, not only because of the language barrier, but Korean health care providers require payment for services up front and it is the patient's responsibility to file a claim with their insurance company for an "out of network" provider. Clothes shopping is another challenge for "larger" Americans trying to buy clothes in Korea. The Army and Air Force Exchange Service try to meet the needs of their customers, but demand prevents them from stocking all the sizes and styles desired by the civilian work force and their families. This requires families to order most of their clothes from catalogs, with the additional shipping costs and the all too often extra costs to return items that don't fit. Perhaps the greatest disadvantage to accepting a position in Korea is spousal employment. According to a study conducted by the

Strategic Forecasting and Analysis Group, 60% of American Households are dual income.²⁰ Because of the Status Of Forces Agreement (SOFA) there are no positions set aside for family member employment. Family members may only be considered after the determination is made that there are no local nationals qualified or available for the position. With the on-going reductions of US Installations in Korea, many Koreans are losing their jobs and there is little chance that a vacancy would occur where a local national was not qualified or available.

Missed Opportunity

After discussing the challenges of recruiting with these senior leaders I discovered that many individuals never even apply for overseas positions because they know of the financial impacts associated with the loss of Locality Pay. The current Army recruitment process is passive in nature, meaning employees must individually apply for vacant positions. Under the previous process, where career programs were centrally managed at the senior level (Skills, Knowledges, Abilities, and Personal Characteristics program), program managers could actively solicit candidates from a data base of current employees, allowing for targeted recruitment. Through this targeted recruitment process, offers of relocation bonuses could be made to the best qualified candidates that would otherwise not even apply for overseas positions. Another phenomenon surfaced during my research. During the interview process many candidates questioned the pay issue and withdrew themselves from consideration prior to the extension of the “official” job. Many perspective employees never apply for positions overseas when they learn Locality Pay is not included and realize the impact this would have on their future retirement benefits. This is a missed opportunity for numerous reasons - we need to use the knowledge and experience of mobile CONUS based employees. The lack of mobility to an overseas location has a deleterious impact on career development on an Army wide basis. When employees lack mobility they become stagnant in their skills and knowledges and miss the opportunity to broaden their practical experience. From my personal experience having worked in Europe, Asia and the United States I can appreciate the challenges that impact organizations on a global basis. Having walked the “terrain” I have a better understanding of the Army’s Strategic Mission and not just my organization’s Tactical Mission.

Interviews with Subject Matter Experts

Contact was made with nine senior leaders senior leaders in the Army’s Human Resource Agency, soliciting their personal observations of the difficulties management is having in recruiting and retaining senior federal employees for positions outside the continental United States. The theme of this paper was explained and each was provided the same question “I am

soliciting your personal observations of this impact, either from your own hiring experiences or from your position as a Human Resource Leader”. Four responses were received and relevant portions of those responses are shown below:

The former Chief of Civilian Personnel for the Installation Management Agency, Korea Region provided comments about the recruiting challenges he experienced:

I have a total of eight years experience as a senior civilian personnel management official in the Korea region. Since the inception of the locality pay authorizations, it has been geometrically more difficult to select senior or mid level managers to come to the Korea region and work. From 1996 through 2001, I was the Director of the Civilian Personnel Operations Center, Korea (CPOC). On average, the declination rate for career level positions was well over 50%. Most of the declinations were as a result of losing locality pay. In most cases, even with a promotion, careerists lose money if they accept an overseas position. As the difference spreads each year with increased locality rates in CONUS, more and more careerists are either declining acceptance or not even applying for positions in the overseas area. Unlike CONUS level positions it is not prudent to create trainee level positions to get a younger, less experienced, worker to come to the OCONUS area. Most tours in Korea are either one or two year tours. Training positions are generally one year in length. Tours in Korea must be filled with experienced careerists because the nature of the work is one of being ready to “fight tonight” (Eighth United States Army motto).

From 1983 thru 1988, I was a senior personnel manager, Civilian Personnel Officer, in Germany. Locality pay was not an issue in Germany because it was just being implemented and the differential between CONUS and OCONUS pay was minimal. It wasn't until the difference between the two exceeded about 6 to 8% that individuals started to decline positions. A typical promotion is an increase in base pay of about 6 to 8%; when a careerist was offered a promotion to an OCONUS position and saw they were about to loss money they started to decline the promotions. Once the difference exceeded 10% declinations increased significantly.²¹

The Regional Director, Civilian Human Resources Agency - Europe Region offered an opposing view of the challenges that are experiencing in Korea.

I wanted to take a few moments to provide you some personal experiences within the Career Program 10 (Human Resources) career field. Over the past three years, we have hired at least three individuals (GS-13, GS-14 and a GS-15) for US Army Europe, Civilian Personnel Division, who were either retirement eligible or within 3 years of retirement. Additionally, I have hired two Civilian Personnel Advisory Center (CPAC) Directors (GS-14's) (out of six US CPAC Directors) that are retirement eligible. I've taken my own personal poll in my own organization and have found it is a very personal decision based on many factors. The individuals, who were retirement eligible when they arrived, saw this as gravy -- because they always wanted to come to Europe and would have retired earlier if they did not have the opportunity for an overseas experience.²²

The Regional Director, Civilian Human Resources Agency - West offered these comments:

My experience is somewhat limited. We just recently picked up responsibility for Alaska, Hawaii and Japan. The staff tells me that it definitely makes a difference in attracting and keeping good employees.

Although I do not doubt it has an impact, I am not aware of any study that has been conducted or statistics that have been gathered that would validate the overall affect to recruitment and retention efforts. I do know that it is a major consideration for many employees reaching retirement age. It is common to hear that someone would consider going overseas but they are concerned about their high three for retirement purposes.²³

The Chief of the Productivity Enhancement Division of the Civilian Human Resource Agency provided the following comments:

The absence of locality pay in the overseas area has always been a challenge when recruiting Federal employees for the overseas area. Retirement annuities are calculated by averaging the highest basic pay over any 3 years of service. The opportunity to receive locality pay by returning to a stateside position during the last three years of Federal employment may increase the amount of an employee's "high-three" calculation. Upon return to the United States for the final years of their career, the salary will then include locality when the annuity is determined. Generally, experienced and "high-performing" overseas employees tend to return to the United States for the final three years prior to retirement to increase their retirement annuities.

As you would expect, the current rules tend to reduce the pool of highly knowledgeable and experienced employees who are willing to consider an overseas assignment due to the negative impact such an assignment would have on retirement annuities, especially as they near retirement eligibility. These knowledgeable and skilled workers are relied on to mentor those who are early in their career, and they typically have a wealth of knowledge to pass on before retirement. Consequently, the overseas commands do not have the benefit of this knowledge transfer that occurs stateside. The absence of locality pay in the overseas areas significantly impacts on recruitment, retention, morale and quality of life.

Although employees in the overseas area receive other pay such as Living Quarters Allowances (LQA) to help with rent expenses and Cost of Living Allowances (COLA) to account for fluctuating exchange rates for local currency, these allowances are not used to calculate retirement annuities. This helps to attract workers to accept positions overseas, yet these allowances on their own do not help retain workers that are nearing the end of their careers.

Locality rates are based on surveys conducted by the Bureau of Labor Statistics (BLS) that compare Federal and non-Federal pay in 28 separate metropolitan areas throughout the United States. In the overseas area, there is no basis of comparison to determine an applicable locality rate. In response to these issues, an overseas command had planned to recommend a proposal to change

retirement legislation to implement virtual locality pay similar to that received by Department of State Foreign Service officers to achieve pay equity between stateside and overseas employees during the end of the employee's career. This proposal recommended to add the "Rest of U.S." current 12.52% rate to overseas base salaries. The "Rest of U.S." rate applies to stateside employees not based within the 28 metropolitan areas used in the BLS survey. This request has not been responded to as of this time.²⁴

The Way Ahead

Obviously there needs to be more research done on the impact Locality Pay is having on recruiting and retaining the highest caliber of employees in Korea. I was unable to secure input from the PACOM Personnel Office, so I don't know the impact that Locality Pay is having on recruiting and retaining individuals for Alaska and Hawaii, but I am sure there is some impact, even though employees in these areas receive a 25% Cost Of Living Allowance. This allowance in itself becomes a recruitment incentive.

More data is needed to learn the real consequence of Locality Pay. This issue should be addressed during the Annual Army Civilian Attitude Survey. The relevant questions are: "Would you be interesting in employment outside of the Continental United States?". "If you are not interested in employment outside the Continental United States is your reason ineligibility for Locality Pay and reduction of retirement benefits?, Perceived lack of Quality Of Life (i.e. medical, retail shopping, recreation, and education) programs; or the lack of spousal employment opportunities or geographic separation from extended family members? Responses to these questions would shape the problem and allow a more focused plan to address this issue.

Recommendation

The Army partner with the other services to seek legislative change to Section 5304 of Title 5, United States Code to establish equitable pay for federal employees assigned overseas. The basis of the equitable pay should be the Office of Personnel Management (OPM) base salary rate, plus the comparability payment [locality pay] for Washington DC. Washington DC is used as the basis for most other allowances as documented in the Department of State Standardized Regulations (DSSR):

- Chapter 220 (Post Allowance), section 221 (Definition) defines "Post Allowance" means a cost-of-living allowance granted to an employee officially stationed at a post in a foreign area where the cost of living, exclusive of quarters costs, is substantially higher than in Washington, D.C.

- Sub-section 074.44 further explains the Importance of Retail Price Survey. The full Retail Price Schedule (DS 2020 through DS 2027), used to measure living cost differences between locations abroad and Washington, D.C., serves as the basis for determining (1) any "post" (cost-of-living) allowance for Federal civilian employees; (2) the U.S. Department of Defense cost-of-living allowances (COLA) for members of the Uniformed Services; and (3) cost-of-living comparisons for American business firms and other organizations who maintain allowances for private Americans abroad.
- Sub-section 074.45 provides guidance to the Responsible Officer when conducting the survey "This survey must accurately reflect foreign living costs for the average American family. The index numbers computed from the survey are designed to reflect costs for the average Washington, DC family living in the foreign area. This family consists of three to four persons with a base salary of a GS-11, Step 5, without locality pay (approximately FS-5, Step 11)."²⁵

A less costly recommendation is offered, that would not have any immediate impact on agency funding, but could have a dramatic impact on recruiting and retaining high caliber federal employees in the overseas environment. Establish a constructive retirement system will allow federal employees employed overseas to retain locality pay for retirement purposed only. They would still loose their locality pay when accepting a position overseas, but their retirement would be negligibly affected. Two illustrations of this recommendation will clarify the impact on employees:

- A GS 13, step 5 working in Rock Island, IL is offered a promotion in Korea. His current salary using the 2006 pay tables for Rest of the US is \$83,949. Using the existing merit promotion rules he would be promoted to a GS 14, step 2, with an annual salary of \$80,386, a net loss of \$3,583 (but he will gain Living Quarters Allowance). For computation of his high three however, his salary would be computed at the Washington DC locality rate for a GS-14, step 2 or \$94,454. This incentive would entice employees to take overseas positions as the promotion would have a positive affect on their retirement.²⁶
- A similar employee, GS-15, step 5 working in the Washington DC area is offered a promotion in Germany. His current salary using the 2006 pay tables for the Washington DC area is \$87,664. Using the existing merit promotion rules he would be promoted to a GS 14, step 2, with an annual salary of \$80,386, a net loss of \$7,278 (but he will gain Living Quarters Allowance). For computation of his high three however, his salary would be computed at the Washington DC locality rate for a GS-14, step 2 or \$94,454.²⁷

In both these cases the employee loses real dollars while assigned overseas but would benefit in the long term through the higher retirement computation. Realizing the possible economic impact of this recommendation there are two other variables that could be considered. First, instead of using the Washington DC locality rate for the constructive retirement computation use that of the Rest of the US. The second option would be to use the locality rate area from where the employee last served in CONUS. Both of these options would reduce the cost of this recommendation, but may have less of a positive influence in recruiting and retaining high caliber, senior, federal employees for positions outside the continental United States.

Now is the opportune time to implement these changes. DOD is converting from the legacy personnel system (General Schedule) to the National Security Personnel System (NSPS). Locality Pay is being replaced by Local Market Supplements. Now is the time to redefine the market areas and include all non-foreign and foreign areas.

Conclusion

It is safe to say that limiting Locality Pay to employees serving within the continental United States is unfair and provides a disparity among the federal workforce. The information provided in this paper and my own observations clearly reflect this disparity the law has created and the significant challenges it has on recruiting and retaining knowledgeable, motivated, high caliber federal employees for assignments overseas. The research has shown that this disparity is a disincentive experienced by all facets of the federal government. As the Locality Pay percentage continues to increase and as the average age of the federal workforce continues to rise, it is safe to assume that current challenges will only grow more severe. All federal agencies need to partner together to push for legislative change, because the future of our workforce is in jeopardy.

Endnotes

¹ U.S. Department of the Army, Office, Chief Public Affairs, "The Army Civilian Corps," 19 June 2006; available from <http://www4.army.mil/ocpa/civilianstories/>; Internet; accessed 11 January 2007.

² U.S. Department of the Army, *Army Leadership*, Army Regulation 600-100 (Washington D.C.: Department of the Army, 8 March 2007), Chapter 1, Figure 1-4.

³ *Federal Register*, 69, 17 December 2004, available from <http://www.opm.gov/oca/05tables/finalLPArule2005.pdf>; Internet; accessed 9 August 2006.

⁴ Ibid.

⁵ *CSRS and FERS Handbook for Personnel and Payroll Offices*, available from <http://www.opm.gov/asd/htm/hod.htm>; Internet; accessed 9 August 2006.

⁶ U.S. Office of Personnel Management, *2006 General Schedule Pay Scale*, available from <http://www.opm.gov/oca/06tables/txt/gstbls.txt>; Internet; accessed 11 August 2006.

⁷ *Government Organizations and Employees*, U.S. Code, Title 5, sec. 5304 (1990).

⁸ *Law Offices of Woodley & McGillivray Home Page*, available from <http://www.wmlaborlaw.com/COLA/Case%20Profile.htm>; Internet; accessed 26 March 2007.

⁹ *American Foreign Service Association Home Page* available from <http://www.afsa.org/congress/emails.cfm>; Internet; accessed 26 March 2007.

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